

Please join us for the

Long Term Care Commission's Finance Worgroup Meeting

OCT. 2, 2007

1:00 pm - 3:30 pm

Michigan Home Health Association

Okemos, MI

Attached please find the agenda and all documents to be discussed during the meeting. We ask that you print the documents and bring them to the meeting.

If you have any questions, please contact Jon Reardon @ hoyt22@speednetllc.com or chrischesny@midmichigan.org.

We look forward to seeing you there.

Hope everyone enjoys a great fall weekend.

Agenda 10-07

DCH Director Estate Recovery Letter to Legislature.pdf

CMS Letter to Medicaid Director 8.24.07.pdf

LTC Insurance Partnership - LTC Commission Sept 07.pdf

2007-SFA-0511-S.pdf

PREPAID LTC HEALTH PLAN PILOT OVERVIEW_July2007.pdf>>

SPEBudget for External Advocates for TF.pdf

sign up sheet.doc

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Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



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Senate Bill 511 (Substitute S-1)
Sponsor: Senator Ron Jelinek
Committee: Appropriations

Date Completed: 9-23-07

CONTENT

Senate Bill 511 (S-1) makes fiscal year (FY) 2007-08 appropriations for the Executive branch, the Judiciary, the Legislative branch, community colleges, and universities. The bill, combined with the FY 2007-08 School Aid Fund appropriations contained in Senate Bill 237 (S-1), would provide for \$42.6 billion of Gross appropriations, \$9.5 billion of General Fund/General Purpose (GF/GP) appropriations, and the appropriation of 55,153.9 full-time equated positions. Table 1 provides a summary of the Gross appropriations, GF/GP appropriations, and full-time equated positions contained in the bill by State department or budget area. Table 2 provides a comparison of the GF/GP appropriations in Senate Bill 511 (S-1) with the current services level of FY 2007-08 GF/GP appropriations. Current services appropriations are defined as a continuation of the FY 2006-07 appropriation levels adjusted for cost increases, funding delays, and caseload adjustments. The FY 2007-08 GF/GP appropriations in the bill are \$587.5 million below the current services funding level.

Table 3 provides a summary of the FY 2007-08 GF/GP estimates of revenue, expenditures, and year-end balances if Senate Bill 511 (S-1) is enacted into law and no additional revenue increases are enacted. The revenue numbers in the table assume that the State utilizes the \$219.4 million of one-time revenue that are estimated to be received from the Michigan Business Tax and that the level of statutory revenue sharing paid to cities, villages, and townships paid in FY 2007-08 is the same as the appropriated level in FY 2006-07. Comparing these FY 2007-08 GF/GP revenue assumptions with the GF/GP appropriations contained in Senate Bill 511 (S-1) leads to a projected budget deficit of \$568.8 million. If Senate Bill 511 (S-1) is enacted into law, the Governor and the Legislature will have to take additional actions to eliminate this projected budget deficit.

The following information provides a department-by-department description of the highlights of the line-item appropriations in Senate Bill 511 (S-1). The information provides a summary of the reductions contained in the bill from the current services appropriation levels.

Department of Agriculture: The bill represents a \$5.1 million GF/GP reduction from the current services appropriation level. Major reductions include \$1.7 million from Executive Division, \$0.9 million from the Pesticide and Plant Management Division, and \$2.5 million from Environmental Stewardship. The bill also includes the elimination of GF/GP funding for local conservation districts, Export Marketing Program, and the Cervid Culture Program.

Attorney General: The bill represents a \$7.6 million GF/GP reduction from the current services appropriation level. The reduction was attained through a departmental negative appropriation of \$7.5 million. Since the budget is primarily driven by direct employee costs, the reduction could result in the elimination of approximately 107 employees or 19.0% of the departmental work force.

Department of Civil Rights: The bill represents a \$1.8 million GF/GP reduction from the current services appropriation level. The reduction was attained through a departmental negative appropriation of \$0.9 million and \$0.9 million of reductions in departmental economic increases. Since this budget is primarily driven by direct employee costs, the reductions could result in the elimination of approximately 25 employees or 18.0% of the departmental workforce.

Department of Civil Service: The bill represents a \$2.7 million GF/GP reduction from the current services appropriation level. The reduction was attained through a \$2.5 million departmental negative appropriation and a \$0.2 million reduction in departmental economic increases. Since this budget is primarily driven by direct employee costs, the reductions could result in the elimination of approximately 38 employees or 16.0% of the departmental workforce.

Community Colleges: The bill represents a \$7.1 million GF/GP reduction from the current services appropriation level. The reduction is based on the elimination of the 2.5% funding increase which is assumed in the current services funding level. The bill includes the \$25.8 million of funding to repay the funding delay that was instituted in FY 2006-07. The bill will leave overall community college appropriations at the initial FY 2006-07 appropriated levels.

Department of Community Health: The bill represents a \$116.8 million GF/GP reduction from the current services appropriation level. Major reductions include \$25.6 million from the elimination of Medicaid coverage for caretaker relatives, \$12.7 million from the elimination of Medicaid coverage for 19- and 20-year olds, \$5.2 million from the elimination of multicultural grants to mental health providers, \$18.9 million from the elimination of a majority of Healthy Michigan-funded grant programs, \$18.0 million from revised caseload estimates in concurrence with the House Fiscal Agency and the State Budget Office, \$10.0 million of savings from mandated citizenship verification for Medicaid recipients, \$9.3 million from various other Medicaid and departmental changes, and \$15.0 million from a 1.1% provider rate reduction for all nonmanaged care Medicaid providers.

Department of Corrections: The bill represents a \$111.2 million GF/GP reduction from the current services appropriation level. Major reductions include \$37.5 million from removing funding for currently vacant department positions, \$55.0 million from bed reductions across the system including the closure of the Southern Michigan Correctional Facility, the closure of the Egeler Reception and Guidance Center Annex, the closure of the Riverside Correctional Facility, and the re-opening of the Michigan Reformatory; \$10.0 million from cuts to nonholiday overtime pay; \$3.7 million from the partial-year savings resulting from the centralization of prison store operations; \$6.9 million from savings in prison food services; and \$8.8 million from various staffing efficiencies. The bill also includes \$18.3 million of new funding for 1,520 additional beds at various correctional facilities. These additional beds would be adding an eighth bed in seven-bunk open bays.

Department of Education: The bill represents a \$3.5 million GF/GP reduction from the current services appropriation level. Major reductions include \$1.0 million from the State Board and State Superintendents Office, \$0.8 million from departmental central support functions, \$0.8 million from School Finance and School Law programs, \$0.4 million from Career and Technical Education programs, \$0.3 million from information technology programs, and \$0.2 million from Early Childhood and Family Services. The impact of the reductions across the Department will lead to the layoffs of approximately 44 employees.

Department of Environmental Quality: The bill represents a \$7.9 million GF/GP reduction from the current services appropriation level. Major reductions include \$5.7 million from the reduction of 143 employee positions across the Department and \$2.3 million from a GF/GP reduction to the Drinking Water Loan Fund. This employee reduction represents a 9.0%

reduction for the Department. The reduction to the Drinking Water Loan Fund will also result in a loss of \$9.2 million of Federal funds.

Executive Office: The bill represents a \$0.2 million GF/GP reduction from the current services appropriation level. The reduction was attained through a \$52,700 departmental negative appropriation and reductions in economic funding.

Higher Education: The bill represents a \$35.9 million GF/GP reduction from the current services appropriation level. The reduction is based on the elimination of the 2.5% funding increase which is assumed in the current services funding level. The bill includes the \$138.7 million of funding to repay the funding delay that was instituted in FY 2006-07. The bill will leave overall Higher Education appropriations at the year-to-date FY 2006-07 appropriated levels, which include the reductions in Public Act 17 of 2007.

Department of History, Arts, and Libraries: The bill represents a \$6.9 million reduction from the current services appropriation level. Major reductions include a \$6.2 million reduction in State aid to libraries and \$0.4 million from book distribution centers.

Department of Human Services: The bill represents a \$207.5 million reduction from the current services appropriation level. The major reductions include \$47.2 million from changes in day care reimbursement rates, \$35.4 million from caseload costs adjustments, \$57.1 million from Family Independence program sanctions, \$18.1 million from departmental budgetary savings, \$11.8 million from the closure of the Maxey Boys Training School, \$13.5 million from changes in child welfare programs, \$6.1 million from day care case reviews, and \$18.3 million of other savings from various program reductions and funding shifts. The closure of the Maxey Boys Training School will result in the layoff of 268 employees.

Judiciary: The bill represents a \$7.6 million GF/GP reduction from the current services appropriation level. The reduction was spread proportionally across all line items containing GF/GP appropriations, excluding judicial salaries. The reduction could result in the loss of up to 59 employees or approximately 11.0% of the judicial workforce.

Labor and Economic Growth: The bill represents a \$9.6 million GF/GP reduction from the current services appropriation level. Major reductions include \$2.6 million in Fire Protection grants, \$4.4 million in workforce training grants, \$1.7 million in welfare-to-work programs, \$0.3 million from Focus Hope program funding, and \$0.2 million from administrative programs.

Legislative Auditor General: The bill represents a \$1.4 million GF/GP reduction from the current services appropriation level. Since this budget is primarily driven by direct employee costs, the reductions could result in the elimination of approximately 31 employees.

Legislature: The bill represents a \$7.4 million GF/GP reduction from the current services appropriation level. The reduction included \$4.4 million of undesignated legislative reductions and \$3.0 million in reductions in economic adjustments for all legislative agencies.

Department of Management and Budget: The bill represents a \$2.1 million GF/GP reduction from the current services appropriation level. The reductions include \$0.6 million in departmental undesignated reduction and a \$1.5 million in reduction in economic adjustments.

Department of Military and Veterans Affairs: The bill represents a \$2.2 million GF/GP reduction from the current services appropriation level. The reductions include \$1.6 million from grants to veterans' service organizations and \$0.6 million in other administrative reductions.

Department of Natural Resources: The bill represents a \$1.1 million GF/GP reduction from the current services appropriation level. The reduction was taken from purchased land payments in lieu of taxes. The Department would have to prorate payments to local units of government that it distributes for land it owns within each jurisdiction. The reduction would also reduce the amount of restricted funds distributed since State law requires that the General Fund pay for at least 50.0% of the total.

Secretary of State: The bill represents a \$14.0 million GF/GP reduction from the current services appropriation level. The reductions include \$13.1 million of undesignated departmental reductions and a \$0.9 million reduction in economic adjustments. The reduction could result in the closure of approximately 25 branch offices and the layoff of approximately 80 employees.

Department of State Police: The bill represents a \$14.1 million GF/GP reduction from the current services appropriation level. The reductions include \$8.3 million from a 59.0% reduction in Secondary Road Patrol grants, \$4.8 million from Justice Training Fund grants, and \$1.0 million in other administrative reductions.

Strategic Fund Agency: The bill represents a \$2.1 million GF/GP reduction from the current services appropriation level. The major reduction is a \$2.6 million fund shift in the funding of the Michigan Promotion program. Funding for a portion of the Michigan Promotion Program will be shifted to funds received back to the Department as a result of pay-backs on loans and other returns on investments from the previous Life Science and Technology Tri-Corridor programs. The bill includes a \$100 placeholder for funding of a new Entrepreneurial Training and Mentoring program.

Transportation: The bill includes two transfers of State Restricted transportation revenue to the GF/GP budget. The first is a \$5.0 million transfer of Comprehensive Transportation Fund revenue. This reduction is taken from local bus operating grants, \$2.5 million; intercity passenger and freight rail programs, \$1.45 million; administrative functions, \$0.8 million; and the transportation to work program, \$0.3 million. The second transfer is \$13.0 million from the Economic Development Fund. This reduction is taken from targeted industries, \$6.5 million; urban county congestion, \$3.25 million; and rural county primary, \$3.25 million.

Treasury-Operations: The bill represents an \$11.6 million GF/GP reduction from the current services appropriation level. The reductions included \$10.2 million of undesignated departmental reductions and \$1.4 million of other reductions spread across the Department. The reductions could result in the layoffs of approximately 137 employees.

Treasury-Revenue Sharing: The bill provides for a freeze in revenue sharing payments to cities, villages, and townships. Some local units will receive increases in the overall level of revenue sharing payments if they are only receiving constitutional revenue sharing payments.

Departmental Boilerplate Language: Senate Bill 511 (S-1) contains complete boilerplate intent language for each department and appropriation. The boilerplate in the bill generally conforms to the boilerplate in the Senate-passed versions of the individual appropriation bills for each department and program.

Fiscal Analyst: Gary S. Olson

Table 1

Senate Bills 511 (S-1) and 237 (S-1) Full-Time Equated Positions (FTEs), Gross, and General Fund/General Purpose Appropriations			
Department/Budget Area	FTEs	Gross Appropriations	GF/GP Appropriations
Agriculture.....	652.0	\$101,814,300	\$25,168,400
Attorney General	556.0	62,079,400	25,362,100
Civil Rights	136.0	13,106,400	11,052,300
Civil Service.....	240.5	34,338,100	4,161,300
Community Colleges	na	316,039,200	316,039,200
Community Health.....	4,651.0	11,625,177,800	3,060,970,400
Corrections	17,340.5	2,022,458,400	1,940,360,800
Education	416.6	93,321,600	3,714,600
Environmental Quality.....	1,561.7	357,915,100	24,632,400
Executive Office	74.2	5,252,900	5,252,900
Higher Education	1.0	1,880,545,300	1,747,345,300
History, Arts, and Libraries	228.0	43,555,100	33,350,500
Human Services	9,248.5	4,430,617,900	1,185,402,200
Information Technology.....	1,774.4	406,193,400	0
Judiciary.....	519.0	253,472,600	152,177,800
Labor and Economic Growth.....	4,277.5	1,285,028,700	40,029,800
Legislative Auditor General	0.0	14,665,700	11,324,300
Legislature.....	0.0	108,215,900	106,706,100
Management and Budget.....	747.5	472,471,000	265,508,600
Military and Veterans Affairs	1,015.0	128,221,900	39,177,700
Natural Resources	2,082.9	288,567,900	23,249,900
School Aid ¹⁾	0.0	12,814,269,900	35,000,000
State	1,853.8	194,041,900	15,507,700
State Police	2,899.0	554,966,100	275,330,600
Strategic Fund Agency	152.0	164,352,000	28,123,300
Transportation	3,029.3	3,360,255,600	0
Treasury.....	1,697.5	1,533,294,600	138,674,900
Total	55,153.9	\$42,564,238,700	\$9,513,623,100
¹⁾ The School Aid appropriations are contained in Senate Bill 237 (S-1). The remaining appropriations are contained in Senate Bill 511 (S-1).			

Table 2

Senate Bill 511 (S-1)				
General Fund/General Purpose Reductions				
Department/Budget Area	FY 2007-08 Current Services Budget	GF/GP Reductions	Restricted Revenue Reductions	Total GF/GP or Equivalent Reductions
Agriculture	\$30,316,000	\$(5,147,600)		\$(5,147,600)
Attorney General	32,858,100	(7,496,000)		(7,496,000)
Civil Rights	12,812,200	(1,759,900)		(1,759,900)
Civil Service	6,815,200	(2,653,900)		(2,653,900)
Community Colleges	323,128,800	(7,089,600)		(7,089,600)
Community Health	3,177,794,500	(116,824,100)		(116,824,100)
Corrections	2,051,684,500	(111,323,700)		(111,323,700)
Education	7,164,100	(3,449,500)		(3,449,500)
Environmental Quality	32,577,500	(7,945,100)		(7,945,100)
Executive Office	5,453,600	(200,700)		(200,700)
Higher Education	1,783,275,700	(35,930,400)		(35,930,400)
History, Arts, & Libraries	40,299,500	(6,949,000)		(6,949,000)
Human Services	1,392,931,700	(207,529,500)		(207,529,500)
Judiciary	159,740,200	(7,562,400)		(7,562,400)
Labor & Economic Growth	47,182,300	(7,152,500)	\$(2,410,500)	(9,563,000)
Legislative Auditor General	12,681,000	(1,356,700)		(1,356,700)
Legislature	114,088,800	(7,382,700)		(7,382,700)
Management & Budget	267,617,600	(2,109,000)		(2,109,000)
Military & Veterans Affairs	41,422,100	(2,244,400)		(2,244,400)
Natural Resources	24,352,000	(1,102,100)		(1,102,100)
School Aid	35,000,000	0		0
State	29,535,600	(14,027,900)		(14,027,900)
State Police	276,739,800	(1,409,200)	(12,712,600)	(14,121,800)
Strategic Fund Agency	30,249,600	(2,126,300)		(2,126,300)
Transportation	0	0		0
Treasury	150,251,300	(11,576,400)		(11,576,400)
Total	\$10,085,971,700	\$(572,348,600)	\$(15,123,100)	\$(587,471,700)

Table 3

FY 2007-08 Senate Bill 511 (S-1) Budget Summary General Fund/General Purpose (millions of dollars)	
Revenue:	
Consensus Revenue Estimate (May 2007).....	\$6,919.7
Michigan Business Tax (Ongoing Revenue)	1,189.5
Michigan Business Tax (One-Time Revenue)	219.4
Revenue Sharing Freeze	558.3
Restricted Revenue Transferred to General Fund (S.B. 511 (S-1))	15.1
Comprehensive Transportation Fund Transfer (S.B. 511 (S-1))	5.0
Other Revenue Adjustments	37.8 ^{a)}
Total Current Services Revenue.....	\$8,944.8
Expenditures:	
Senate Bill 511 (S-1) and Senate Bill 237 (S-1).....	\$9,513.6
Projected FY 2007-08 Budget Imbalance	\$(568.8)
^{a)} Includes \$2.0 million from a financial institution fund transfer, \$22.8 million from the School Aid Fund for short-term State borrowing costs, and \$13.0 million transfer from the Transportation Economic Development Fund.	

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

Overview

LTC Insurance Partnership Program

September 2007

Through the LTC Insurance Partnership program, states promote the purchase of private LTC insurance by offering consumers access to Medicaid under special eligibility rules, should additional coverage (beyond what the policy provides) be needed. Medicaid, in turn, benefits by having individuals take responsibility for the initial phase of their long-term care through the use of private insurance.

Section 6021 of the Deficit Reduction Act of 2005:

- Allows states to develop long-term care insurance partnership programs, in collaboration with private insurers, to create affordable insurance products that protect and benefit both the consumer and state Medicaid programs.
- Includes consumer protections such as the provisions of the National Association of Insurance Commissioner's Model LTC regulations
http://www.naic.org/documents/committees_models_ltc.doc
- Requires that policies sold to those under age 61 provide compound annual inflation protection. Requires that policies include some type of inflation protection when purchased by a person between the ages of 61 and 76. For those policies sold to person over the age of 76, there may be some inflation protection.
- Requires a dollar for dollar disregard of assets equal to the amount of qualified long-term care insurance coverage that an individual exhausts.
- Requires a State Plan amendment to be submitted to CMS by October 7, 2007.
- Requires HHS to establish a National Clearinghouse for LTC Information that will educate consumers about LTC insurance. www.longtermcare.gov
- Includes training criteria for insurance agents.

Michigan Public Act 674 of 2006:

- Requires the Michigan Departments of Community Health and Human Services, and the Insurance Commissioner's Office, to establish a long-term care partnership program for the financing of long-term care in Michigan through a combination of public and private funding.
- Requires a dollar-for-dollar disregard.

Other Issues

- Coordination with multiple stakeholders
- Target population and state budget impact
- Consumer and agent education
- Inflation protection
- Reciprocity between states

Several steps needs to be taken before this policy is implemented”

- A Medicaid State Plan amendment must be submitted to CMS requesting permission to implement the partnership with Michigan’s Medicaid program. PA 674 of 2006 requires that the state submit this plan by October 7, 2007. Final wording is being worked out among the state agencies. The State Plan language deals with the Medicaid eligibility determination for Partnership policy holders.
- The State must establish a set of criteria that will define a “qualified long term care plan.” Most of these must parallel what the state already has as existing requirements for LTC insurance policies. Exceptions include the DRA requirement that there be inflationary protection built-in to Partnership policies, and a requirement that insurance agents selling LTC Partnership-qualified policies receive a certain amount of training.
- The Office of Financial and Insurance Services (OFIS) will certify which individual plans meet the qualifying criteria.
- The Departments of Community Health and Human Services, and the Insurance Commissioners Office must execute a Memorandum of Understanding detailing about each department’s role and responsibilities.
- Training for individuals who sell qualified LTC insurance policies to ensure awareness of the target population and consumer protections.
- Marketing and education to consumers.
- Eligibility policy must be revised to address asset and estate recovery disregards in amounts equal to the benefits paid under a qualified LTC policy

Progress to Date:

A state project team comprised of over two dozen members representing state governments, the insurance industry, consumer advocacy organizations and consumers, is meeting monthly to identify, clarify, discuss and reach consensus on resolving the issues surrounding the LTC Insurance Partnership. The following workgroups will be created to move the project forward:

- Data Collection
- Consumer Education
- Producer (Agent) Education
- Marketing and Outreach
- Legislative & Regulatory Issues
- Estate Recovery - Legislative & Regulatory Issues

Intent remains to have LTC Insurance Partnership products available for sale on July 1, 2008.

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations

AUG 24 2007

Paul Reinhart, Medicaid Director
Medical Services Administration
Michigan Department of Community Health
400 South Pine Street
P.O. Box 30479
Lansing, Michigan 48933-7979

Dear Mr. Reinhart:

I am writing to follow up on my letter to you on May 11, 2007 and your August 7, 2007 conversation with Jackie Garner, Medicaid Consortium Administrator, and Verlon Johnson, Medicaid Associate Regional Administrator for the Chicago Regional Office, on the status of Michigan's compliance with federal estate recovery requirements. Jackie and Verlon also informed you that Michigan's failure to comply with the Medicaid estate recovery law places the State at risk for loss of future federal Medicaid payments.

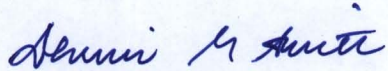
Congress enacted the Medicaid estate recovery law with the effective date of this requirement under sections 1902(a) (18) and 1917(b) of the Social Security Act of October 1, 1993. States that required legislative action were given until December 31, 1994 to implement the law. CMS staff have regularly and consistently offered technical assistance to Michigan since the estate recovery law was enacted in an effort to bring the state into compliance. Michigan is now the only state remaining that has not implemented an estate recovery program.

It is our understanding that the Michigan legislature has several bills on estate recovery under review but to date no bills have been passed. Because Michigan has not implemented an estate recovery program required by Sections 1902 (a)(18) and Section 1917 (b) of the Social Security Act, we are prepared to recommend to the Administrator that he promptly initiate a compliance action under Section 1904 of the Act to withhold federal Medicaid payments to Michigan. However, we will not recommend that the Administrator initiate a compliance action if the State enacts necessary legislation to implement an estate recovery program by September 30, 2007. Please note that even if such legislation is enacted, continued avoidance of a compliance action under Section 1904 will depend on prompt implementation of an estate recovery program by the State Medicaid agency consistent with State administrative rule making requirements.

Page 2 – Mr. Paul Reinhart

I request that the State communicate the status of your estate recovery legislation and any actions you will be taking to implement an estate recovery program to the Chicago Regional Office by October 1, 2007. The Chicago CMS staff are available to provide you with any additional technical assistance you may need. If there are any questions, you may contact Verlon Johnson at (312) 886-5343.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dennis G. Smith".

Dennis G. Smith
Director



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JANET OLSZEWSKI
DIRECTOR

September 5, 2007

The Honorable Jason Allen
Michigan Senate
820 Farnum Building
P.O. Box 30036
Lansing, Michigan 48909

Dear Senator Allen:

As I stated in a letter to you dated June 19, 2007, Michigan faces severe consequences should the state Medicaid program not comply with the federal estate recovery law. By not enacting estate recovery legislation, the state Medicaid program is in jeopardy of having payments withheld by the federal government – **a loss of over \$5 billion annually**.

Under Title XIX of the Social Security Act, the state Medicaid program is required to implement an estate recovery program. Michigan has been non-compliant and remains to be the only state in the nation to not have implemented an estate recovery program. As I mentioned in my previous letter, Michigan was subject to a compliance meeting convened by the Centers for Medicare and Medicaid Services (CMS). In the attached letter received on August 24 from Dennis G. Smith, Director of the Centers for Medicaid and State Operations, to state Medicaid Director Paul Reinhart, it was made clear that CMS is prepared to recommend prompt action to withhold Medicaid payments to Michigan. The state has been given the deadline of September 30, 2007, to bring the state into compliance.

On October 1, 1993, the Congress passed Medicaid estate recovery laws on the basis that some of the unspent resources no longer needed by people who are deceased, and who have had the benefit of Medicaid services, should be recovered. Primarily, the program would seek repayment from nursing home and community-based waiver services. Recovery is made when a recipient and the recipient's dependents no longer need those assets. The money recovered is returned to the Medicaid program and is used to pay for care of other Medicaid beneficiaries. At a minimum, states must recover from assets that pass through probate.

Again, I strongly urge passage of **Senate Bill 374**, legislation introduced during this session to create and implement the Medicaid estate recovery program and bring Michigan in line with all of the other states under the law. Senate Bill 374 was referred from Senate Appropriations Committee on April 4, 2007, but has not yet received any further action at this time. Time is now of the essence and action by the Legislature is critical in maintaining the supports and services provided by the state Medicaid program. As stated in the accompanying letter from CMS, they will not recommend that the Administrator initiate a compliance action if the state enacts necessary legislation to implement an estate recovery program by September 30.

I hope you take action on this matter promptly. I encourage you to contact our Legislative Liaison, Curtis Hertel, Jr., at (517) 241-1939 if you wish to meet or speak with him regarding the details of the estate recovery program in greater detail.

Sincerely,

Janet Olszewski
Director

Attachment

MICHIGAN DEPARTMENT OF COMMUNITY HEALTH
PLAN FOR DEVELOPING A PREPAID MEDICAID LONG-TERM CARE
HEALTH PLAN PILOT PROJECT

Values

The Michigan Department of Community Health has based its planning for pre-paid long-term care supports and services on the following values:

- People should be fully included in community life and activities to the degree possible.
- People should be empowered to exercise choice and control over all aspects of their lives.
- People should be able to access quality supports and services when needed (not placed on waiting lists).
- All stakeholders, especially participants and family members, must be part of the planning and implementation processes.
- Person-Centered Planning is the basis for all plans of supports and services.

Introduction

The Michigan Department of Community Health, Medical Services Administration (MSA) has submitted a Concept Paper to the Centers for Medicare and Medicaid Service's Disabled & Elderly Health Program Group in the Center for Medicaid & State Operations (CMS) that would initiate discussions with CMS toward the Department's submission of 1915(b) and 1915(c) combined waiver applications. The purpose for this proposal is to create, under the Medicaid program, a prepaid health plan option that can establish a voluntary enrollment plan which, for eligible enrollees, will afford them access to a full array of long-term care supports and services determined in consultation with the enrollee, based upon enrollee needs and consistent with enrollee choices and preferences.

The intended outcome for utilizing a combined 1915(b)/(c) waiver mix is to replicate a model similarly structured in other states whereby enrollees have an entitlement access to home and community-based long-term care services as well as nursing facility services. The Department's Office of Long-Term Care Supports and Services has been the initial designer of the proposed plan, developing this option as a result of a CMS Real Choice Systems Change grant aimed at reducing "institutional bias" in Medicaid long-term care services and promoting "rebalancing" of the mix between institutional and home & community-based services for the elderly and persons with disabilities.

In 2005, Michigan's Governor, Jennifer M. Granholm, convened a Long-Term Care Task Force to identify consensus recommendations to modernize Michigan's Medicaid long-term care system. Part of the recommendations made by the Task Force included the following: 1) require and implement person-centered planning throughout the LTC continuum; 2) improve access by adopting Money Follows the Person principles; 3) establish single point of entry agencies for participants; 4) strengthen the array of supports and services; and 5) adapt financing structures that maximize resources, promote participant incentives, and decrease fraud.

A brief summary of key points are as follows:

- Collaborate among the local MI Choice Waiver agency, local Department of Human Services (for the Home Help Program), and local nursing facilities as well as other providers.
- Assure participant/family representation on the governing body.
- Development of single local system that authorizes and coordinates services across settings.
- Operate within a capitated financing arrangement.

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Key reasons (expected outcomes) for doing this are as follows:

- Enact “Money Follows the Person” within the Medicaid program for those eligible for long term care services.
- Improve quality of life options for people requiring services.
- Go beyond the capacity constraints of the current MI Choice Waiver Program.
- Provide entitlement access for persons eligible for the plan.
- Support participant choice and empowerment across a full range of supports and services
- Assure appropriate use of nursing facilities and home and community-based services.
- Provide local alternatives for nursing facility closures.
- Address unmet needs through reinvestment of savings.
- Manage the use of limited funding.

Planning Principles

- Supports and services should be community-based and should promote independence, community integration, and participation in community life.
- Continuously incorporate the participant’s voice (including family members when appropriate and in the participant’s best interests) in all aspects of plan development and implementation.
- Person-centered planning should always be fostered.
- Supports and services should be of high quality, non-discriminatory, culturally competent, and appropriate.
- People who meet nursing facility level of care need should not have to wait for home and community based services when that is their preference.
- Rights of individuals who are aging and/or persons with disabilities should be preserved and protected.
- Participants and their families should always be treated with dignity and respect.
- Health and welfare needs of participants must always be addressed.
- The model must assure high quality supports and services and demonstrate positive outcomes.
- DCH must evaluate the effectiveness of the model for possible statewide implementation.

Feasibility Study

A key function of the Money Follows the Person grant and a necessary part of the waiver application process is to conduct a feasibility study aimed at examining costs, efficiencies, supports, and barriers to implementing a Pre-paid Healthcare Plan for Long-Term Care.

The purpose of the Feasibility Study is to answer the following:

1. Will the proposed waiver program cost DCH more than current long-term care expenditures for current services to the same population and if so, how much more, than not proceeding with this plan?
2. What are the necessary financial outcomes for service delivery that must be met over a series of years for the program to be sustainable given current appropriations for long-term care services?
3. What have other states pursuing similar directions determined with respect to these same questions as they developed prepaid LTC health plan models?
4. What options might the state include to protect itself from financial exposure under the scenarios determined under questions (1) and (2)?
5. What might be the acceptable levels of financial and/or program success that would support an argument to continue the proposed model past a pilot program phase?

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Enrollment in the long-term care PHP would be voluntary for participants. Those eligible would consist of the elderly (aged 65 and over), and persons with disabilities (aged 18 through 64) who meet existing MI Choice Waiver financial eligibility criteria and nursing facility level-of-care need. Incorporation of some type of participant fee, based on ability to pay, will be considered. This would be similar in concept to participant payment for a portion of nursing facility costs.

Single Points of Entry (Michigan's LTC Connections)

Michigan's Long-term Care Connections are the four demonstration Single Point of Entry entities developed over the past year at the direction of Governor Granholm and in conformance with PA 634 of 2006. These entities could serve as the screening and eligibility determination points for the proposed prepaid LTC health plan pilot projects.

Developing a Service Provider (PHP)

Successful implementation of this plan hinges on the Department identifying or developing an organization to serve as the Prepaid Health Plan (PHP). The PHP would provide Medicaid long-term care services in a limited geographic area. Ultimately the state may only contract with an entity qualified to meet CMS and state requirements for functioning as a capitated, risk-bearing entity.

The selection of a provider entity is a key factor for success of the overall effort. There does not appear to be an existing pool of PHPs with long-term care experience. Therefore, a bidding process is not warranted. Instead, it is intended that existing experience with LTC home and community-based services including nursing facility transitions could be partnered with an existing licensed HMO. There are a large number of stakeholder considerations including those of consumer advocate groups which need to be taken into account during the provider development process. Experiences in Wisconsin and other states provide a possible roadmap for this stage of development.

Personal Outcomes for Participants

Person-Centered Planning/Self-Determination Outcomes

- People have a broad array of service and support options.
- People are treated fairly.
- People are treated with dignity and respect.
- People choose their supports and services.
- People choose their daily routine.
- People achieve their objectives for daytime activities.
- People are satisfied with supports and services.

Community Integration Outcomes

- People choose where and with whom they live.
- People participate in the life of the community.
- People remain connected to family and other informal supports.

Health and Safety Outcomes

- People are free from abuse and neglect.
- People have the best possible health.
- People are safe.
- People experience continuity and security.

ATTACHMENT A

Source Document for Workgroup B recommendations. Full workgroup recommendations are based on 3.4.05 meeting of full group and may be different than subgroup report content.

Draft Budget for Home Care Advocates, based on Long Term Care Ombudsman structure. Sarah Slocum, 1/12/2005

Assuming:

40,000 Home Help recipients

10,000 HCBS Waiver recipients

10,000 other Home Care recipients (home health, private duty, etc.)

60,000 Total

Federal recommendation for staffing level of Local Ombudsmen to facility residents is 1 FTE to 2,000 residents.

Using that formula and the approximation of 60,000 recipients, $60,000/2,000 = 30$ advocates

Annual Cost per Advocate (estimates only)

Salary	\$35,000
Fringes	\$10,500
Travel	\$5,000
Rent	\$850
Office Supplies	\$1,000
Training	\$1,000
Phone	\$ 800
Equipment (computer)	<u>\$2,000</u>
Total	\$56,150

If an advocacy program were funded to provide 30 advocates statewide, costs would be $30 \times \$56,150 = \$1,684,500$

There are central office costs that would be associated with the home care advocate function. That cost is estimated to include a central staff, training and coordination expenses. These costs would be less if this function were attached to an existing external advocate and some administrative costs would be consolidated. The subgroup is recommending \$500,000 for this function until a decision is made about whether it will be attached.

Total: \$2,184,500

ATTACHMENT A

Source Document for Workgroup B recommendations. Full workgroup recommendations are based on 3.4.05 meeting of full group and may be different than subgroup report content.

Current Local Long Term Care Ombudsman funding and staffing

Staffing

13.5 FTEs at 8 local offices

$\$768,000/13.5 = \$56,888$ per full time Ombudsman (beginning salary = \$26,500. Current average = \$29,000 annual salary)

Central office functions: \$500,000

Scope:

Advocacy for nursing home residents	= 49,000 people
Home for the Aged residents	= 12,000 people
Adult Foster Care Home Residents	= 40,000 people
TOTAL	= 101,000

Ratio of Local Ombudsman FTE to Residents = 1:7,481

Federally recommended ratio = 1:2,000

Need to add 36.5 FTEs to meet Federal recommendation.

Using the calculations from the home care advocate draft above:

\$56,150 per added Ombudsman, $36.5 \times \$56,150 = \$2,049,475$

Current Funding sources for Local Ombudsmen (not increased since 1987)

State funds	= \$478,000
Federal Title III-B	= \$115,000
Federal Title VII-A	= <u>\$175,000</u>
TOTAL	\$768,000

Total for expansion only: \$2,049,475

From the \$500,000 allocated to each program for central office functions, there would be efficiencies achieved by combining the home care ombudsman with a current advocacy program.

Grand Total for Both Pages (not including current funding for ombudsman program): \$4,233,975

Medicare/Medicaid Fed Match	Estate Recover vs. Estate Preservation	Long Term Care Insurance
	Joanne Bump	
Reimbursement Models	Data Collection	Caregivers Role
		Joanne Bump
Nursing Homes	Ombudsman/External Advocacy	
	Susan Steinke	

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